

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 385

INFO ALL EC CAPITALS 1596

AMEMBASSY MOSCOW

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PASS AGRICULTURE FOR R.E. ANDERSON, JR.

E.O. 11652: NA

TAGS: EAGR EEC

SUBJECT: FRENCH SALE OF NON-FAT DRY MILK POWDER (NFDM) TO USSR

REF: EC BRUSSELS 98

1. WE ASKED A SOURCE IN THE COMMISSION'S DAIRY DIVISION ABOUT THE RUMORED FRENCH SALE (REPORTED IN FASTO CIRCULAR 25) OF 20,000 TONS OF NFDM TO THE USSR AT A PRICE OF \$430/M.T. HE HAD NO KNOWLEDGE OF THIS SALE BUT INDICATED THAT THE COMMISSION HAD TAKEN A PRELIMINARY DECISION TO EXPORT 40,000 TONS OF NFDM UNDER SPECIAL CONDITIONS (DESCRIBED IN PARA 2). HE THOUGHT THAT FRENCH TRADERS MIGHT BE ACTING IN ANTICIPATION OF THESE MEASURES. A TENDER FOR THE SALE OF THIS 40,000 TONS (WHICH CONSIST OF PRE-APRIL 1974 INTERVENTION STOCKS) HAD BEEN OPENED IN DECEMBER 1975 BY COMMISSION REGULATION NO. 3178/75 (REFTEL); BUT, BIDS BY EC TRADERS WERE UNACCEPTABLE AND THIS TENDER WAS CLOSED.

2. THE COMMISSION IS STUDYING A PROPOSAL TO EXPORT 40,000 TONS OF NFDM UNDER THE FOLLOWING CONDITIONS. EC TRADERS WILL BE PERMITTED TO PURCHASE THE NFDM FROM INTERVENTION STOCKS AT 5 U.A./
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100 KGS BELOW THE CURRENT INTERVENTION PRICE OF 88.70 U.A./100 KGS.

IN ADDITION, A SPECIAL SUBSIDY OF 56 U.A. -100 KG. WILL BE GRANTED FOR EXPORTS MADE UNDER THIS ARRANGEMENT. (THE CURRENT SUBSIDY IS 48.48 U.A./100 KG.). NOTE THAT THESE MESURES WOULD PERMIT EXPORT OF NFDM AT A PRICE OF ABOUT \$350/MT. EXPORTS UNDER THESE CONDITIONS MUST BE EITHER DENATURED OR INCORPORATED INTO ANIMAL FEED. HOWECER, THIS REQUIREMENT WILL APPARENTLY BE WAIVED WITH RESPECT TO CERTAIN COUNTRIES (INCLUDING THE USS)--EVEN THOUGH THEORETICALLY THE NFDM IS STILL SUPPOSED TO BE USED FOR FEED. FINAL DECISION ON THESE MEASURES AND ISSUANCE OF THE NECESSARY IMPLEMENTING REGULATIONS IS EXPECTED WITHIN A WEEK.

3. OUR SOURCE SAID THAT THE "GENTLEMAN'S AGREEMENT" WITH AUSTRIA, NEW ZEALAND, AND CANADA NOT TO SELL NON-FAT DRY MILK AT LESS THEN \$520/M.T., APPLIES ONLY TO FIRST QUALITY NFDM AND NOT TO EXPORT FOR FEED.
MORRIS

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